

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
HOWARD COUNTY RETIREMENT PLAN**

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

December 1, 2017

A joint meeting of the Retirement Plan Committees for the Howard County Police and Fire Employees' Retirement Plan (the "Police and Fire Plan") and the Howard County Retirement Plan (the "Employees Plan") (jointly, the "Plans") was held on Friday, December 1, 2017 at 9:00 a.m. in the Columbia/Ellicott City Room at the George Howard Building, 3430 Court House Drive, Ellicott City, Maryland, 21043.

Police and Fire Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Chief Administrative Officer: Lonnie Robbins
Director of Finance: Stanley Milesky
Budget Administrator: Holly Sun
Representative, Police Department Supervisory Employees:
 Jason Luckenbaugh (Voting Member in Fiscal Year 2018)
Representative, Howard County Police Officers' Association, Lodge 21:
 Mark Thomey
Representative, International Association of Firefighters, Local 2000:
 Richard Ruehl

Members Absent

Representative, Fire and Rescue Supervisory Employees:
 Vincent Baker (Non-Voting Member in Fiscal Year 2018)

Employees Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Chief Administrative Officer's Designee: John Peterson
Deputy Director of Finance: Angie Price
Budget Administrator Designee: Janssen Evelyn
Employee Representative: Jeff Bronow
Representative, American Federation of State, County and Municipal
 Employees Local 3085: Dale R. Chase

Members Absent

Representative, American Federation of State, County and
Municipal Employees Local 3080: Kim Drennon

Also present for all or a portion of the meeting were:

Sima Taghavi, Department of Finance
Eric Ralph of Summit Strategies Group
Paul W. Madden, Whiteford, Taylor & Preston L.L.P.
Teresa M. Reider, Retirement Coordinator
Scott Southern, Retirement Assistant, Office of Human Resources
Jamar Herry, Office of Law
Trevor Jackson – Summit Strategies
Lori Buchman – Department of Finance

Wanda Hutchinson acted as Chair of the Meeting and Paul Madden acted as Secretary.

The meeting was called to order at 9:03 a.m. The minutes of the October 26, 2017 meeting were unanimously approved by the members of both Committees. Wanda Hutchinson and Terry Reider advised the Committees that the annual pension statements have been distributed and members have had positive comments.

Next, Keith Novak and Alexandra Lobeck of CliftonLarsonAllen ("CLA") reviewed the financial statements and supplementary information for the Police and Fire Plan and the Employees Plan. Mr. Novak noted that CLA is the eighth largest public accounting firm in the United States and specializes in state and local governments, including state and local pension plans. CLA provides services to over 70 plans throughout the United States, including 15 of the 30 largest plans. Mr. Novak reviewed the audit approach, the responsibilities of management, the auditors and those charged with governance and reviewed the audit results, the governance communications and provided a GASB update. CLA issued unmodified opinions on the financial statements of both Plans. After completing their presentation and addressing questions from the Committee and consultants, Mr. Novak and Ms. Lobeck left the meeting.

Dale Chase raised questions about liability for cyber breaches. Paul Madden and Jamar Herry agreed to follow up to ascertain whether this risk is adequately insured. The Committee noted that this was CLA's first audit of the retirement plans, which generally results in more work for management. The Committee extended thanks to Sima Taghavi and Terry Reider for their assistance in getting the audit done in a timely manner.

Next, Paul Madden made an educational presentation on potential changes to the "unrelated business taxable income" ("UBIT") as it applies to governmental pension plans. Paul Madden agreed that no action by the Committee is recommended at this time but agreed the Committees be informed when changes are made to the tax law.

Jason Luckenbaugh provided the report of the Investment Subcommittee on the International Growth Equity Manager Review. Jason noted that the Subcommittee held a

one-hour conference call on October 20 to initiate a review. As a result of the call, a decision was made to interview Baillie Gifford, Gryphon and Walter Scott. Those interviews took place in a 4-1/2 hour meeting on November 21. There were one-hour presentations from each of Baillie Gifford, Gryphon and Walter Scott. After interviewing the managers, the Subcommittee recommended keeping the 50% growth and 50% value split in the Master Trust's International Equity Portfolio. The Committee also unanimously recommended that the Master Trust replace Fidelity as the Plans' International Growth Equity Manager.

Although the three managers all have excellent track records and similar approaches, the members of the Subcommittee were less comfortable with Gryphon because their investment team consisted of only seven members. While Baillie Gifford and Walter Scott were both considered excellent options for the International Growth Equity Manager, members of the Committee noted that Baillie Gifford was employee-owned and has lower fees than Walter Scott. In addition, Baillie Gifford may be a better diversifier versus Mondrian. Accordingly, members of the Subcommittee unanimously recommended Baillie Gifford as the Plans' International Growth Equity Manager.

There was a discussion about whether the Master Trust should invest through a mutual fund or through a separate account. However, the Committees did not have enough information at time to make that decision.

Upon motion duly made, seconded and unanimously approved it was

RESOLVED that the Committees accept the recommendation of the Investment Subcommittee to hire Baillie Gifford as the Master Trust's International Equity Manager.

The Subcommittee will reconvene to determine whether the investment should be through a separate account or through a mutual fund. Eric Ralph noted that Baillie Gifford may underperform in the short-term but should do well over the long-term.

Next Eric Ralph reviewed Summit Strategies' Investment Performance Review for September 30, 2017. Eric noted that growth equities have had strong performance and that the performance of fixed income has been flat. Core real estate returned 6.7%.

On a one-year basis, the total fund returned 12.98% which placed it in the 31st percentile among its peers. On a three-year basis, a return of 7.26% placed the Master Trust in the 35th percentile. Eric noted that, however, over the 7 and 10 year periods, the performance of the Master Trust has been below the peer median.

Eric noted that the performance of the alternative investments in the Plan has been a plus. Over eight years, the Plans have returned 8.75%. Without the alternatives, the return would have been 8.61%. Eric also noted that hedge funds have been a diversifier with a return of 5.33% as compared with a fixed-income return of 3.5%. Eric noted that Westfield has had a good turnaround. Fidelity, DFA and Mondrian have all struggled.

Next, Trevor Jackson provided the 2017 Liquidity Review. Trevor noted that the Plans still have a positive net cash flow with contributions exceeding benefits. Liquidity concerns

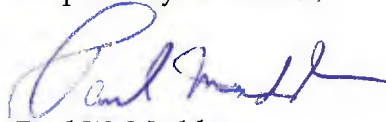
begin when the net cash flow is negative and is greater than three to four percent per year. In summary, there are no liquidity concerns at this time.

Next, Arman Palian presented the report of State Street Global Advisors on the Treasury Inflation Protected Securities Fund ("TIPS") in which the Master Trust has invested. Mr. Palian pointed out that the strategy has approximately \$16.8 billion. The TIPS fund is basically an index fund where the Master Trust has very low risk. Accordingly, the Committee will be talking with State Street Global Advisors only once every three years. This fund is closely tracking the TIPS benchmark and has year-to-date returns of 1.73%. Since inception, the fund has returned 3.26%. After completing their presentation and addressing questions from the Committee and consultants Mr. Palian left the room.

Next, Scott Southern and Terry Reider reviewed the Plans' Travel Guidelines and addressed questions by Committee members.

There being no further business, the meeting adjourned.

Respectfully submitted,



Paul W. Madden
Secretary of the Meeting

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